



STATE OF DELAWARE

**PUBLIC SERVICE COMMISSION**

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July 25, 2018

**MEMORANDUM**

**TO:** The Chair and Members of the Commission

**FROM:** Kevin Neilson, Regulatory Policy Administrator *KN*

**SUBJECT:** IN THE MATTER OF THE JOINT APPLICATION OF T-MOBILE  
USA, INC. AND SPRINT COMMUNICATIONS COMPANY L.P.  
CONCERNING AN INDIRECT TRANSFER OF CONTROL  
PURSUANT TO 26 Del. C. SECTION 215  
(FILED JULY 20, 2018) - PSC DOCKET NO. 18-0984

**Application**

On July 20, 2018, T-Mobile USA, Inc. ("T-Mobile USA"), and Sprint Communications Company L.P. ("Sprint Communications" and collectively, the "Applicants") filed an application ("Application") seeking Delaware Public Service Commission (the "Commission") approval to effectuate a transaction that will result in Sprint Communications becoming an indirect wholly owned subsidiary of T-Mobile USA (the "Transaction").

**Applicants**

**T-Mobile US, Inc., T-Mobile USA, Inc., and Deutsche Telekom AG**

T-Mobile US, Inc. ("T-Mobile") is a publicly traded Delaware corporation headquartered in Bellevue, Washington and is the sole parent to T-Mobile USA, which is also a Delaware corporation. T-Mobile is controlled by Deutsche Telekom AG ("Deutsche Telekom") which indirectly holds approximately 62 percent of T-Mobile's stock. Deutsche Telekom is based in Bonn, Germany.

**Sprint Communications Company L.P., and Sprint Corporation**

Sprint Communications, a Delaware limited partnership, is authorized to provide local telecommunications services in Delaware pursuant to PSC Order No. 4302 in Docket No. 96-116 and in-state long distance telecommunications services pursuant to PSC Order No. 3373 in Docket No. 91-51.<sup>1</sup> Sprint Communications is an indirect wholly owned subsidiary of Sprint Corporation (“Sprint”), a publicly traded Delaware corporation. Sprint is controlled by SoftBank Group Corp. (“SoftBank”), a Japanese corporation and holding company. SoftBank, through its subsidiaries, hold approximately 78 percent indirect interest in Sprint.

#### Huron Merger Sub LLC, and Superior Merger Sub Corporation

In anticipation of the Transaction, T-Mobile has formed two merger subsidiaries: 1) Huron Merger Sub LLC (“Huron”), a Delaware limited liability company and wholly owned subsidiary of T-Mobile; and 2) Superior Merger Sub Corporation (“Superior”), a Delaware corporation and wholly owned subsidiary of Huron.

#### **Transaction**

T-Mobile and Sprint, among others, have entered into an agreement (the “Business Combination Agreement”), which sets forth the structure and steps of the Transaction. Through a series of steps, the Transaction will result in a merger of Sprint into an indirect subsidiary of T-Mobile, with Sprint surviving as a direct subsidiary of T-Mobile USA. Following completion of the Transaction, Deutsche Telekom and SoftBank are expected to hold approximately 42 percent and 27 percent of the fully diluted shares of T-Mobile Common Stock, respectively, with the remaining approximately 31 percent of the fully diluted shares of T-Mobile Common Stock held by public stockholders.

#### **Public Interest**

The Applicants assert that the Transaction is in the public interest and that there is no risk of competitive harm resulting from the wireline operation of Sprint Communications being acquired by a new corporate parent. Sprint Communications will remain a wholly owned indirect subsidiary of Sprint, and neither T-Mobile USA nor its subsidiaries have a certificated entity in

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<sup>1</sup> Applicants assert that Sprint Communications has no residential customers in Delaware and has a limited number of enterprise and wholesale IXC customers to which it provides private line or data services pursuant to contract. Sprint Communications notified those customers in 2016 that they would have to either disconnect service, or transfer to Voice over Internet Protocol (“VoIP”). Sprint Communications is in the process of either disconnecting or transferring those customers and expects all customers to be transferred by no later than December 2018. Once those customers are no longer on Sprint’s TDM network, Sprint Communications will be providing only unregulated VoIP services, Internet Access, and IP-based private network services to business and enterprise customers in Delaware.

Delaware that provides wireline services in competition with Sprint Communications. Applicants assert that the Transaction will be seamless to existing customers and, upon completion of the Transaction, Sprint Communications will continue to provide the services currently provided to customers in Delaware, subject to Sprint Communications' existing plans to discontinue its TDM services and transition customers to Internet Protocol services. Applicants assert that (a) the Transaction will increase the managerial, technical, and financial resources available to Sprint Communications and (b) existing customers will benefit by creating the opportunity to deploy a more extensive network. As a result of the Transaction, Sprint Communications will be able to offer a wider array of services that can be bundled with wireless services, thereby allowing Sprint Communications to compete more effectively in the marketplace to the benefit Delaware consumers.

### **Staff Recommendation**

Applications seeking approval of transfers of control by large multi-state resellers of competitive intrastate telecommunications services technically lie within the provisions of 26 *Del. C.* § 215 because the companies are deemed to be public utilities. The Applicants have represented that the Transaction is in accordance with law, for a proper purpose, and consistent with the public interest. The Commission has previously allowed such applications to become effective by statutory approval without Commission action. The result appears appropriate under these circumstances. Accordingly, Staff recommends that the Commission not act on this Application. Under 26 *Del. C.* § 215(d), the effect will be that the Application is deemed to be approved by the Commission. Staff will also acquire verification from the Applicants that the proposed Transaction has been completed.